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STATEMENT OF THE HONORABLE BOB BERGLAND,
SECRETARY OF AGRICULTURE,
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF
SENATE COMMITTEE ON FINANCE C 2,
JULY 13, 1977

Mr. Chairman, Members of the Subcommittee, on the subject of your hearings, farm exports and what we can do to expand them, the outlook is healthy.

Last fiscal year we exported \$23 billion of farm products. For the fiscal year ending September 30, this year, we expect farm exports may reach \$24 billion, a record level.

Having said this, let me assure you that I am not complacent. I am deeply concerned, as is President Carter, over the export and price situation of wheat and feedgrains -- a subject upon which I'll spend most of my allotted time. Many other commodities are doing well. Growth commodities this year include cotton, oilseeds products, livestock products, fruits, nuts and vegetables.

As to specific nations, we expect substantial increases in U.S. exports this fiscal year to the Middle East, East and Southeast Asia including Japan; to Western Europe and to Canada.

As Members of this Subcommittee are well aware, this export trade in agriculture is one of the brightest spots in our Nation's economic picture. Last year, with \$23 billion in exports balanced against \$10.5 billion in imports to this country, agriculture contributed a surplus of more than \$12 billion to our balance of trade, an extremely important contribution in view of the very high costs of imported oil.

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That is the good news. The bad news we are all aware of:

For the third consecutive year we expect 2 billion bushels of American wheat to be harvested. The rest of the world, by and large, also expects yet another good wheat harvest.

As a result of this world situation, U.S. wheat exports were down 20 percent to 26 million metric tons in the 12 months ending May 31. Feed grain exports may be down from last year's 50 million-ton record.

What is this Administration doing about it?

I do not hold out hope of easy or instant solutions to our dilemma. The fix we find ourselves in took years to develop. It will not be solved overnight. In the six months that I have held this post we have -- or are taking -- these actions:

*First and foremost, we are acting to hold and expand the \$24 billion agricultural export market we already have. Specifically, through legislation this Congress is now considering the target price concept will act to move our agricultural products at competitive prices, to assure continued access to world markets, while at the same time providing a measure of protection to assure decent incomes for U.S. producers.

The key word in the foregoing is "competitive."

When our prices aren't competitive, two things happen. First, we lose markets because many nations -- especially developing nations -- cannot afford our products. Second, we encourage nations to seek more supplies by increasing their own production -- sometimes at high cost to themselves -- or we encourage production from other competitive suppliers.

Take Brazilian soybeans, a new competitor to U.S. producers. It took a combination of \$12 soybeans and an export embargo to accomplish this competition -- something we are trying to avoid in the future.

And so the legislation that Congress is now considering is a key action this Administration is attempting to meet the problems I discussed earlier.

*Then there is the vital question of reserves. We're providing this through a farmer-reserve program and proposed multilateral negotiations on wheat. The farmer-reserve program aims, first, to reduce the pressure farmers now feel to market excess supplies at low prices and, second, to protect our farmers' overseas customers, thereby keeping our access to the markets we already have. Our aim in the negotiations now beginning in London is to assure that the United States -- and U.S. farmers -- don't bear the entire burden of carrying reserves and adjusting production.

Finally, we are taking or have taken, these additional actions to increase our foreign agricultural trade to the benefit of U.S. producers:

-- Through negotiation we're attempting better access to overseas markets by reducing trade barriers and establishing long-term trade arrangements in the Multilateral Trade Negotiations.

-- We're re-examining our programs to come up with better ways of providing international food aid including grants to poorer nations and short-term "soft" CCC credit to developing countries.

-- We're examining the potential for expansion of bilateral trade agreements.

(more)

-- The Commodity Credit Corporation credit program is being expanded. CCC-financed exports this fiscal year are budgeted at \$1 billion, up from \$618 million in fiscal 1976 and only \$249 million in 1975. Two-thirds of this year's CCC credit is for grain.

-- P.L. 480 calls for \$1.2 billion this year, up from \$831 million in 1976. Grain makes up about 60 percent of the total value.

These initiatives on our part have yet another purpose, in addition to their economic effects on our balance of trade and the incomes of our domestic producers. In the formulation of each we have not lost sight that the world must be assured of adequate supplies of food. President Carter is deeply committed to enhancement of human rights -- and the most basic human right, perhaps, of all the rights that human beings have, is the right to enough to eat.

Thus our reserve proposals, domestically and in international negotiations, will serve both our economic interest and, in addition, assure adequate supplies in times of widespread drought or other natural disaster. Similarly, the studies of our foreign food assistance plans are designed to assure that U.S. food goes to those who need it most, and additionally, that developing countries are assisted in their own efforts to more adequately feed their own people.

These are the positive steps we have -- and are -- attempting to accomplish. In closing, let me say that we are also committed to avoid those actions which have proved so clearly disastrous in the past. I have mentioned my own personal embargo on future embargoes. They lose us customers; they lose us markets; they encourage foreign competition and they shake the confidence of our markets overseas. Attempting to restore such confidence was an overriding reason for my recent visit to the Far East.

Another policy that has proved unworkable is the idea that this government -- or any government, for that matter -- can control agricultural output within very narrow limits. This is the so-called "fine-tuning" concept. It is my belief that the weather, which is under the administration of One more highly placed than the Secretary of Agriculture, can have more effect on supply than all the regulations issued from Washington, Moscow or Ottawa. Too much "fine tuning" doesn't work any more than the idea that uncontrolled and uncontrollable "market" forces always produce adequate farm prices. We are witnessing the bankruptcy of this idea in the wheat market right now.

I appreciate this opportunity to come before this Subcommittee. I commend the Subcommittee for its diligence in pursuing what is one of the most important domestic issues we face, the issue of adequate returns for U.S. farmers, and how we may act to assure them. I am aware, better than most perhaps, of the hardships being experienced by our wheat and feedgrain producers, and I wish to assure the Subcommittee that this Administration is doing its best to ease these hardships.

Thank you.

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